

On Friday, October 22, 2004 President Bush signed H.R. 4520, the "American Jobs Creation Act of 2004," into law as Public Law 108-357. In addition to several other changes to the Internal Revenue Code, Public Law 108-357 provides for a three-year suspension of the annual Special (Occupational) Tax on persons in the business of selling, manufacturing, importing and wholesaling of beverage and non-beverage alcohol products.

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### **Questions and Answers regarding new legislation on Federal Special Tax and Registration.**

**Q: I heard that the Special Occupational tax has been eliminated and there is no longer a requirement to file and pay this tax, is this true?**

A: The tax has not been eliminated or abolished. The tax liability has been reduced to zero for three years starting from July 1, 2005 until June 30, 2008. You are still required to file and pay the tax at the normal rates up until July 1, 2005.

**Q: Will I still be required to register my business and when will I register?**

A: Even though there is no tax due for the next three tax years, you will still be required to send in the registration with a zero tax liability starting with the renewals going out for the 2006 tax year. These renewals are scheduled to go out in May 2005 and the registration is due July 1, 2005.

**Q: I receive a Federal Tax Stamp as receipt for filing and paying each year, I am required to have this Stamp in order to receive my State license. Will I still receive this Stamp each year?**

A: You will receive a Federal Tax Stamp only if you are required to file and pay the tax. If you are only engaged in retail or wholesale beverage alcohol sales, you will not receive this stamp, however, as proof of registration your State or local alcohol beverage control agency will receive a list of businesses registered in your State.

**Q. I file a claim for drawback of excise tax I pay for alcohol used to manufacture cough syrup, mouthwash, etc., do I still have to file and pay SOT and obtain a Federal Tax Stamp in order to continue filing these claims?**

A. 27 C.F.R. §17.22 states each person who uses tax-paid distilled spirits in the manufacture or production of nonbeverage products such as mouth wash, cough syrup, etc shall pay special tax as specified in Title 26, Section 5131 of the Internal Revenue Code (IRC). You will still be required to register in order to file a claim for drawback of excise tax paid for these products, however, you will not have to pay the tax during the suspension period.

**Q. If I purchase or sell specially denatured alcohol, am I still liable for the tax?**

A. Yes, the new legislation does not suspend the tax on specially denatured alcohol users or dealers, you must continue to file and pay the tax at the current rate. This also applies to tax-free users such as qualifying universities and hospitals.

**Q.I have a balance due on current and/or prior Special Tax, am I still liable for these taxes?**

A. If you owe tax Special Tax on the current year and or a prior year, including penalties and interest or have a lien or levy imposed, you are still liable for the tax and no claim for refund will be accepted based solely on this change in legislation. All current laws and regulations will continue to be enforced until the new legislation goes in effect on July 1, 2005.

**Q. I manufacture cigars and other tobacco products, do I still have to pay Special Tax?**

A. Yes, this new legislation only applies to persons in alcohol manufacturing, importation, wholesale operations and retail beverage alcohol sales. If you manufacture tobacco products you will continue to file and pay the tax at the applicable rates. There is still no requirement for filing and paying on retail sales or wholesale operations of manufactured tobacco products or importation of manufactured tobacco products.

**Q: Whom do I contact if I have questions on this tax?**

A .If you have questions on how TTB will regulate this law, please contact the Alcohol and Tobacco Tax and Trade Bureau (TTB), National Revenue Center at 1-877-882-3277 or the Special Occupational Tax toll-free number at: 1-800-937-8864.